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CURRENT INTELLIGENCE WEEKLY SUMMARY



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OFFICE OF CURRENT INTELLIGENCE

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THE WEEK IN BRIEF

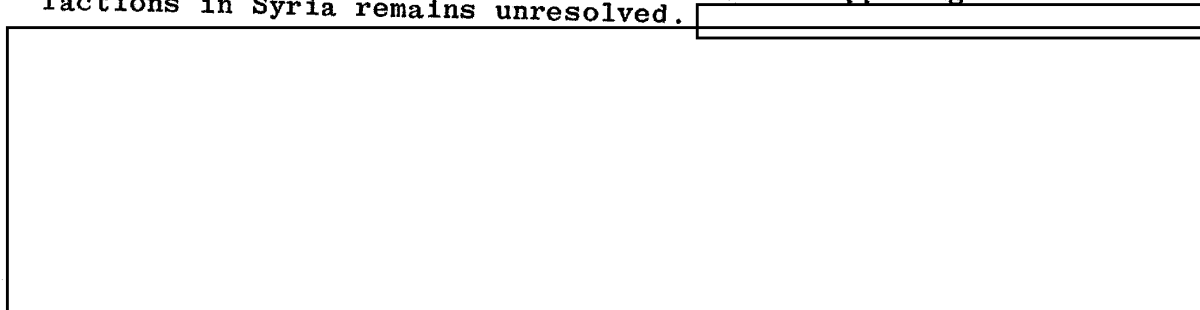
PART I

OF IMMEDIATE INTEREST

MIDDLE EAST DEVELOPMENTS Page 1

Nasr has made no significant concession on the Suez Canal issue, and Cairo formally protested on 10 April the passage of an American-owned oil tanker through the Gulf of Aqaba to Eilat. Nasr's apprehension of new moves against him is reflected in reports of Egyptian troop movements and his orders for a general "alert" of the government and army. The conflict among the opposing factions in Syria remains unresolved.

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INFLUENCE OF MAKARIOS' RELEASE ON CYPRUS QUESTION . . . Page 3

The situation in Greece and Turkey is tense in anticipation of Archbishop Makarios' arrival in Athens about 15 April. Makarios' presence is likely further to damage Greek-Turkish relations and will not make a Cyprus settlement any easier. Developments after Makarios' arrival will depend largely on whether the Greek public becomes aroused against Britain, against Turkey, or against the Karamanlis government itself.

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PART II

NOTES AND COMMENTS

WESTERN EUROPEAN REACTION TO BRITISH DEFENSE PLANS . . . Page 1

Britain's declared intention to slash conventional military forces and concentrate on nuclear weapons has intensified doubts in Western Europe about the military usefulness of the Western alliance. Repercussions have been especially severe in West Germany, and Chancellor Adenauer has for the first time stated that Germany must have atomic weapons. This has aroused new French apprehensions over German rearmament. [REDACTED]

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INDONESIA Page 2

The installation of President Sukarno's 23-member "extraparlimentary business cabinet" on 9 April temporarily ends Indonesia's cabinet crisis. Since the new government is unsatisfactory to the Moslem parties and elements in the outer islands, it is not likely to bring an end to national disunity. Tension is mounting in South Sumatra as a result of the recent abortive coup by pro-Djakarta army elements. [REDACTED]

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THE NEW IRANIAN GOVERNMENT Page 4

The Iranian government of Prime Minister Manuchehr Eqbal, formed on 4 April, may provide a more popular and more efficient administration for the time being than the cabinet of former prime minister Ala. [REDACTED]

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COMMUNIST GOVERNMENT OF KERALA STATE
FACES MAJOR PROBLEMS Page 5

Like its non-Communist predecessors, the Communist government of the Indian state of Kerala, which took office on 5 April, faces political and economic problems of such magnitude that its success in dealing with them is by no means assured. Its freedom of action is limited by the powers of the federal government, and failure by the local authorities to improve conditions might lead to a reimposition of President's Rule--direct administration from New Delhi. [REDACTED]

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TURKEY RECEPTIVE TO WEST GERMAN APPROACHES Page 6

German prestige in Turkey, traditionally high, appears to be rising and a reassertion of German economic influence in the area may follow. Turkey welcomes the West German overtures. [REDACTED]

KHRUSHCHEV AWARDED ORDER OF LENIN Page 8

The award of a second Hammer and Sickle gold medal, along with another Order of Lenin, to Nikita Khrushchev on 8 April 1957 for his "outstanding services in working out and implementing measures for reclaiming virgin soil and wastelands" makes him the most highly decorated of the top Soviet civilian leaders. He now has more of these decorations than Stalin had. This highlights his primacy in the Soviet leadership and implies that the other leaders are solidly behind him as he pushes his industrial reorganization scheme. [REDACTED]

HUNGARIAN REGIME TIGHTENS CONTROLS Page 8

While Premier Kadar was in the Soviet Union two weeks ago promising to exterminate all enemies of the Hungarian regime, his colleagues in Budapest were issuing far-reaching decrees designed to facilitate accomplishment of this aim. These included an extension of the ban on public meetings, a requirement that all personal identity documents be revalidated within six months, and a proclamation of complete state control over religious education and Catholic clerical appointments. [REDACTED]

USSR AND JAPAN CONCLUDE FISHERY TALKS Page 9

The conclusion of the annual Soviet-Japanese fisheries agreement on 6 April was made possible by Soviet concessions on two points which had deadlocked the negotiations. Moscow's compromise was probably motivated by its desire to improve prospects for a formal trade agreement with Japan and the wish to avoid friction so soon after normalizing relations. [REDACTED]

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NEW EMPHASIS ON SOVIET STATE FARMS Page 10

Soviet officials are showing increased interest in the state farm type of agricultural organization, undoubtedly because of the major role these farms played in the production of a bumper grain crop in 1956. In contrast to the collective (co-operative) farms, the state farms are completely state-owned and -operated, with the workers paid wages instead of sharing in the income. The eventual transformation of the collective farms into a unified system of "socialist" farming is a long-term goal of Soviet Marxism; however, peasant opposition and the cost factor will probably preclude widespread action in the foreseeable future.

[REDACTED]

INSTABILITY CONTINUES IN HAITI Page 11

A council of ministers representing five competing presidential candidates assumed control of Haiti's government on 6 April and postponed to mid-June the national elections previously scheduled for late April. The new government will probably prove unstable, and the army could take over at any time, although it seems divided by factional disputes.

[REDACTED]

CHILEAN RIOTS UNDERCUT ECONOMIC PROGRAM Page 12

Prospects for the US-sponsored anti-inflation program in Chile, relatively successful in its first 15 months, have worsened following the recent riots. Despite a congressional grant of extraordinary powers, President Ibanez faces considerable difficulties in imposing new sacrifices on the public.

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PART III

PATTERNS AND PERSPECTIVES

STATUS OF THE GOMULKA PROGRAM IN POLAND Page 1

Six months after First Secretary Gomulka declared the validity of the "Polish road" at the Polish Communist Party's eighth plenum in October 1956, the Warsaw leadership continues to follow the course of national Communism outlined at that time. Though political concessions have been made to Soviet suspicions and to internal factional demands, there has been no important alteration of the basic elements of Gomulka's domestic policy. His adherence to a moderate course has brought him into conflict with both liberal and conservative elements among Polish Communists so that today he is plagued by disunity in his party.

IMPACT OF EASTERN EUROPEAN EVENTS ON INTERNAL YUGOSLAV POLICY Page 4

The Tito regime has shown its sensitivity to the possible internal effects on Yugoslavia of the events in Poland last fall, primarily by public reiteration of plans to elevate living standards and increase popular participation in the governing processes. As a result of the relief felt by the people that the regime is again defying the Kremlin, popular tolerance and even support for Tito is sufficient to allow Belgrade to proceed with such plans at a leisurely pace.

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PART I

OF IMMEDIATE INTEREST

MIDDLE EAST DEVELOPMENTS

Egypt

Egyptian president Nasr is still refusing to agree to significant modifications in the proposed Egyptian declaration on the Suez Canal, although he apparently does not wish at present to break off talks on the subject.

Cairo on 10 April also protested formally to the United States against the action of the American-owned tanker which last week carried Iranian crude oil and bunker fuel through the Tiran Straits to the Israeli port of Eilat. The Israelis, who built up suspense by imposing press censorship on reports of the tanker's movements and then gave the arrival a very large-scale publicity campaign, were probably seeking to evoke just such an Egyptian reaction in the hope that Nasr would embroil himself further with the US.

The Egyptians are clearly apprehensive over possible moves against them, both on the diplomatic and the military fronts. Nasr has ordered a general alert of the Egyptian government, civil and military; symptomatic of the new tension was Cairo's first practice air raid drill since hostilities last fall.

Extensive military movements have also been reported. According to some reports, troops, including armor, have recently been moved east of the Suez Canal. Observation by American military attachés suggests, however, that units

had probably vacated their camps to engage in firing practice in the desert area just west of the canal. It seems very doubtful that the Egyptian army has as yet renewed its logistic capability to support large numbers of troops near the Israeli border in eastern Sinai, though it might support limited numbers in the western part of the peninsula. Egyptian army units around Cairo also apparently are being dispersed as a precautionary measure.

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Syria

In Syria, the opposing factions apparently are continuing to try to organize and assess their strengths while the government treads warily among them.

Martial law, imposed last November when the leftists took advantage of the hostilities in Egypt, has been lifted in four areas where parliamentary by-elections are scheduled for 4 May. These areas have been heavily conservative; the results there would be a good measure of the leftists' success in intimidating the grassroots level as well as of high-level opposition.

Partly perhaps as a cover for the persisting disunity in Damascus, Syria's leaders continue to protest against alleged Israeli activity along

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the border. The Syrian army has offered to allow UN truce observers to stay in its border positions in order to "prove" that the Israelis are responsible for the sporadic firing which has been occurring in the vicinity of Lake Hula, a swampy area which the Israelis plan to drain over vehement and long-standing Syrian objections.

Lebanon

In Lebanon, Prime Minister Sami Solh last week received a 30-1 vote of confidence in his pro-Western foreign policy. His pro-Egyptian opponents appear so discouraged that seven of them resigned just before the vote.

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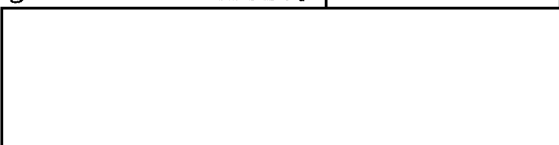
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INFLUENCE OF MAKARIOS' RELEASE ON CYPRUS QUESTION

The situation in Greece and Turkey is tense in anticipation of Archbishop Makarios' arrival in Athens about 15 April. The American ambassadors in Athens and Ankara agree that the visit will further damage Greek-Turkish relations and will not contribute to a Cyprus settlement. Developments after Makarios' arrival will depend largely on whether he chooses to arouse the Greek public against Britain, against Turkey, or against the Karamanlis government itself.



Although his immediate intentions are unknown, Makarios has made repeated public statements since his release indicating he will renew his campaign for the union of Cyprus with Greece--enosis. Popular Greek enthusiasm for Makarios' actions is assured, while any provocative statements will produce a strong Turkish reaction which might lead to forceful moves.

Ambassador Allen in Athens reports extreme irritation and indecision within the Greek government. Prime Minister Karamanlis is highly agitated and working at cross purposes with his foreign minister, and there are also reports of differences between Karamanlis and King Paul. Allen expects "tremendous demonstrations" to be staged for Makarios, who is also expected to be surrounded immediately by the most extreme Greek proponents of enosis, as well as by opposition party leaders seeking to use Makarios in their campaign against the Karamanlis government.

Turkey's position on Cyprus has hardened significantly since Britain's release of Makarios on 20 March. The Turks evidently feel that Cyprus developments since the UN debate last February have been against their interests and now fear that London's position is softening. A Turkish aide-memoire to the US on 4 April and to the UK on 9 April warned against any British negotiations with Makarios in a tone which the

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American ambassador says is "more threatening" than any previously used. The Turkish note to the British complained that London lacked "the desire to work in close and intimate co-operation with Turkey," with the result that Ankara "is repeatedly confronted with surprises and new actions" injurious to its interests. The note concluded with a demand for "tripartite or bilateral" negotiations to arrange for the partition of Cyprus.

A Turkish Foreign Ministry official told Ambassador Warren on 6 April that Turkish opinion was rapidly becoming "unpleasant" toward the British; a British band concert and parade scheduled for Ankara had just been canceled because the Turkish public might consider it "a mockery." Ankara has also given the press, for its guidance, a statement on "Greek insincerity and unfairness." The Turkish official added that many deputies are now suggesting that Turkey should have engaged in violence on Cyprus;

he concluded his remarks with the statement that if necessary, Turkey would fight. The Turks now reject any interim arrangement for Cyprus and insist on partition.

Britain continues to advocate using NATO's good offices in the dispute, primarily as a means of countering criticism. It apparently intends to take the initiative in any NATO consideration of Cyprus and propose an international agreement providing for "protected independence." Governor Harding on Cyprus said on 2 April--probably with London's sanction--that independence for Cyprus either within the Commonwealth without option of withdrawing, or guaranteed by NATO, might be made the basis of such an international agreement. He added, however, that Britain might be driven to the "very undesirable" resort of partition. Nevertheless, Britain apparently does not intend to leave the island in the near future. In any case, it will insist on retaining its military bases.

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PART II

NOTES AND COMMENTS

WESTERN EUROPEAN REACTION TO BRITISH DEFENSE PLANS

Britain's intention to slash conventional military forces and concentrate on nuclear weapons, as announced in the defense white paper of 4 April, has intensified doubts in Western Europe about the military usefulness of the Western alliance. Repercussions have been especially severe in West Germany, and Chancellor Adenauer has for the first time demanded atomic weapons for Germany.

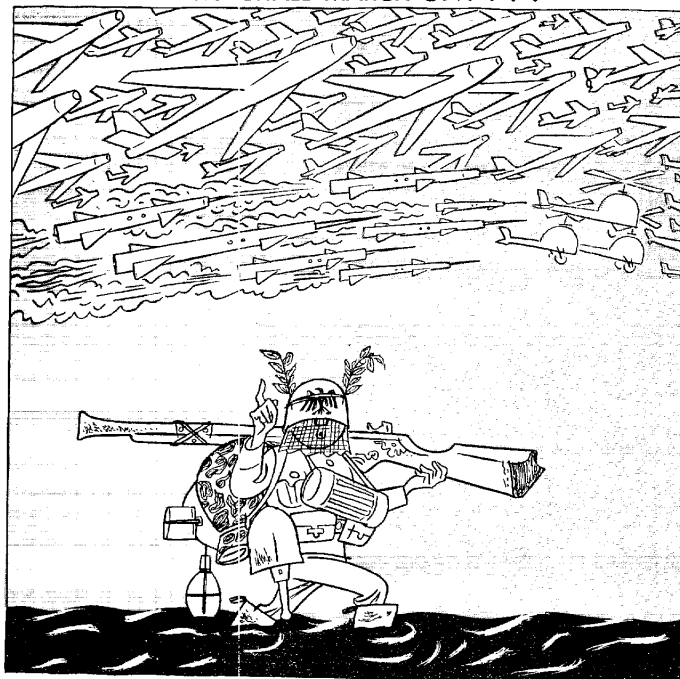
Many NATO members believe Britain has unilaterally taken decisions of fundamental importance to the alliance. They see the British plans as a challenge to the doctrine of the continued importance of the NATO "shield" of conventional forces. Official French dismay is reflected in the semiofficial press agency charges that the British are posing the dilemma of "total peace or atomic war."

The West Germans fear that the shift increases the likelihood that nuclear weapons will be used in central Europe, and fear that the announced British cuts may be the forerunner of a complete Anglo-American withdrawal. British defense minister Sandys showed his sensitivity to this reaction on 5 April

by publicly labeling such an idea "sheer madness."

Even before London's plans to reduce its military forces by one half and to abolish conscription over the next five years were revealed, great doubts had been expressed among NATO members over the future of the alliance. Largely on Adenauer's insistence, the seven-member Western European Union on 19 March recommended that NATO conduct a special study of the capabilities and needs of the Western defense system. The North Atlantic Council (NAC), which has accepted this recommendation, is exploring

WE SHALL MARCH ON. . . .



"MY CHANCELLOR SAYS FOOT SOLDIERS ARE NEEDED TOO."

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WEST GERMAN VIEW OF MODERN ARMAMENT

SIMPLICISSIMUS, 6 OCTOBER 1956

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procedures which will satisfy Adenauer's desire for an extraordinary study but which will still be related to the guidance received from the foreign ministers' meeting last December. The white paper has underlined the urgency of the study to Continental NATO members.

German deputy foreign minister Hallstein has also told NAC that it would be "especially intolerable if two types of

alliance members were to emerge --atomic powers and infantry nations." In a press conference the day after the publication of Britain's plans, Adenauer for the first time demanded tactical atomic weapons for Germany--and objected to drawing a distinction between tactical and strategic weapons. The implications of this demand have revived latent French apprehensions over German rearmament.

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INDONESIA

The installation of President Sukarno's 23-minister "emergency extraparliamentary business cabinet" on 9 April temporarily ends Indonesia's cabinet crisis. The formation of the government, however, reflects Sukarno's increasing reliance on totalitarian tactics and does not promise an end to national disunity.

The cabinet was formed personally by Sukarno, who, in his negotiations, bypassed party leadership and dealt with individuals. In selecting the members, he apparently tried to compromise between his own demands for "national unity" and "guided democracy" with demands of the Moslem parties, the army, and the non-Javanese areas for an honest, efficient non-Communist government with broad geographic representation.

The government is not satisfactory, however, to either the Moslem parties or elements in the outer islands. Moreover, while the army in Java appears to be supporting Sukarno, regional army commanders are expected to share openly the dissatisfaction of local political leaders. Therefore, the cabinet's effectiveness probably will largely be limited to Java.

There are no known Communists in the new government, but four prominent fellow travelers have been appointed, including a recipient of the Stalin "peace prize" as minister of education. None of the six non-Javanese members has shown any strong interest in pressing demands for regional autonomy. The new prime minister, Raden Djuanda, is nonparty, non-Communist

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and non-Javanese and is respected for his honesty and his technical competence as an engineer and an economist. He is not a strong personality, however, and although he may disagree with Sukarno on political issues, he is unlikely to resist him.

four party ministers "before two or three months," and the decision at that time will depend on the progress made toward settling national problems.



DJUANDA

Foreign Minister Subandrio--a former ambassador to Moscow--and Finance Minister Sutikno, are already in agreement with those policies of Sukarno which would affect their own departments.

These men are likely to follow the program outlined by Sukarno and proceed first with the establishment of a national advisory council with Communist participation. Other points in Sukarno's program include the restoration of the unitary state, continuation of the "struggle" for the return of West Irian, and "intensification" of reconstruction activities.

Of the Moslem parties, the Masjumi has expelled one member who accepted a minor post in the cabinet; the Nahdlatul Ulama (NU) leadership has announced, however, that it will not consider withdrawing the

The cabinet's independence of parliamentary pressures and Moslem fears of Sukarno's retaliatory tactics are likely to preclude the development of an effective political opposition in Djakarta. Some papers in the capital have already launched a smear campaign against former vice president Hatta, the champion of those opposed to Sukarno's concept.

Meanwhile, the situation in South Sumatra is reported deteriorating as the result of an abortive coup by pro-Djakarta army elements. The local commander is arming civilians to prevent the establishment of a "Javanese beachhead," and the increased possibility of fighting has caused the British to push plans for the quick evacuation of some 3,000 Europeans in the area.

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THE NEW IRANIAN GOVERNMENT

The Iranian government of Prime Minister Manuchehr Eqbal, formed on 4 April, may provide more popular and more efficient administration for the time being than the cabinet of former prime minister Ala.

Eqbal is pro-Western, ambitious and an experienced administrator. His claim that he chose his new cabinet ministers for technical ability is borne out by the previous careers of the new ministers--three bankers, three career government employees, two generals and one doctor. These ministers are all between 46 and 56 years of age and European-educated. A new Ministry of Customs and Monopolies was formed, apparently to give closer control over these matters. The Ministry of Justice, in charge of an acting minister, will probably be supervised by Eqbal or the Shah.

The fact that these cabinet members are new on the political scene and not closely identified with old-line politicians will probably inspire some public confidence in the government. The immediate lifting of martial law, which has been in effect in many parts of the country for the last 10 years, is a gesture toward winning public support. Rumors are circulating as usual that the cabinet is even more pro-British than the previous one;

The American embassy reports that the British embassy has expressed its "complete satisfaction" with the new ministers.

The most important factor determining the new government's chances of success is the attitude of the Shah. If he is willing to withdraw from the day-to-day supervision of government operations and permit Eqbal and the cabinet to administer the government, some progress in economic and social development programs probably can be made. The Shah is reported planning to remain abroad for three months after his visit to Spain in late May. He will depend entirely on Eqbal and General Bakhtiar, chief of



EQBAL

SAVAK--the new national security organization--to maintain orderly government.

The Eqbal-Bakhtiar combination is probably strong enough, if its principals so desire, eventually to relegate the Shah to a purely ceremonial position. The monarch's long-standing suspicion of strong men in influential positions may re-emerge, however, and result in the same type of ineffective Iranian government as in the past.

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COMMUNIST GOVERNMENT OF KERALA STATE FACES MAJOR PROBLEMS

Like its predecessors, the new Communist government of the Indian state of Kerala, which took office on 5 April, faces political and economic problems of such magnitude that its success in dealing with them is by no means assured. Its freedom of action is limited by the powers of the federal government, and failure by the local authorities to improve conditions might lead to a reimposition of President's Rule--direct administration from New Delhi.

The Communist Party, with the support of five independ-



ents, commands only a two-man majority in the state assembly of 127 members. The Congress and Praja Socialist Parties and the Moslem League have all indicated their unwillingness to join a Communist-dominated coalition. The Communist cabi-

net, which includes representatives of trade unions, peasants, lawyers, educators, writers, and women's groups, is not highly experienced in administrative matters.

Chief Minister Namboodiripad can be expected to capitalize fully on the advantages enjoyed by a government in power in exercising police powers and utilizing official machinery to further Communist aims. He will also be aided by the fact that the Congress Party government in New Delhi cannot overtly discourage his efforts to provide good government and economic progress.

In its first efforts to attract popular support, the Communist administration has proposed a number of measures which can be carried out quickly. These include nationalization of foreign-owned tea and rubber plantations in Kerala, commutation of death sentences, and release of political prisoners. It already finds itself in difficulty with the central government, which has taken the position that its approval must be obtained for nationalization.

Hampered in these first efforts to impress the local population, the Communists will undoubtedly soon find that they are faced with long-range problems which only hard work and large-scale assistance from New Delhi can ameliorate.

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Kerala is India's most thickly populated state, with 907 persons per square mile as compared to the Indian average of 281 in 1951. Its population is growing at almost twice the rate for India as a whole. This population has outgrown its food production capabilities, and Kerala is a deficit state to which the Indian government must annually contribute sizable food supplies.

Kerala has relatively little organized industry, despite the availability of cheap sources of power, inexpensive navigation, and a large labor supply. Its position as the most backward state in South India is the result of a limited capital supply, chronic labor difficulties which have discouraged private investment, and limited industrial raw materials. This paucity of industry makes it impossible for the state to absorb its increasing working force, one fourth of which is unemployed and another fourth only partially employed. The national government is unwilling to give Kerala a dispropor-

tionate share of Five-Year Plan funds. Since Kerala is the most literate state in India--45 percent as against the Indian average of close to 20 percent--the population is keenly aware of its troubles and impatient at the slowness of economic progress.

With the best possible will, the new Communist government will find it hard to make headway against these problems. Neither land reform nor emigration is likely to ease materially the population pressure on the land. Recently reported efforts to attract private capital to Kerala, apparently as an alternative to government-controlled industries, seem likely to receive only modest response. By achieving some superficial successes in eliminating corruption, improving administration, and attacking minor problems, however, the Communist regime may be able to retain power for some time if it does not come into outright conflict with the national government in New Delhi.

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TURKEY RECEPTIVE TO WEST GERMAN APPROACHES

German prestige in Turkey, traditionally high, appears to be rising and a reassertion of German influence in the area may follow. Turkey is responding with great interest to West German overtures.

A visit planned by President Heuss to Turkey and recent visits by high-level West German military and political figures--including Chancellor Adenauer and a West German military mission headed by Defense

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Minister Strauss--demonstrate West Germany's economic and diplomatic interest in Turkey.

In late March, the Turks gave Strauss the "red carpet" treatment--an honor parade, inspection trips to Izmir, Istanbul, and Bursa, and tours highlighting Turkey's military and industrial capacity. Strauss spoke of Turkey's brilliant future and affirmed that Turkish-German co-operation will bring this future rapidly closer. He assured Prime Minister Menderes that "your desires will be met to the best of our ability" and that "Turkish-German friendship will become firmer and everlasting." Menderes had earlier told the West German delegation that it is in the interest of both countries "to march hand in hand...good times and bad."

West Germany has also indicated that it is "extremely interested" in bolstering its investments in the Middle East, especially in Turkey. A purchase of \$175,000,000 worth of Turkish-manufactured munitions is under way.

Part of this sum is earmarked to pay Turkey's long-standing commercial arrears to West Germany, which are over \$60,000,000. Turkey is scheduled to begin to fill the ammunition contract this month to be continued over a four-year period. The contract also involves sizable West German construction projects designed to

enhance Turkey's defense production capabilities.

A joint Turkish-West German firm has already been created in Turkey, with 51 percent West German capital, to enlarge the munitions plant at Kirikkale, about 50 miles east of Ankara, to produce high-quality steel and alloys for both civilian and military needs. After inspecting Turkish munitions plants in late 1956, a West German mission concluded that Turkey would be able to produce ammunition in the volume called for by the contract.

Under the West German plan, Turkish ammunition plants are to be greatly enlarged and improved with German assistance. New facilities will be built by the Krupp organization. The joint Turkish-West German firm will construct the new installations, purchase capital equipment, and secure the necessary raw materials.

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KHRUSHCHEV AWARDED ORDER OF LENIN

The award of a second Hammer and Sickle gold medal, along with another Order of Lenin, to Nikita Khrushchev on 8 April for his "outstanding services in working out and implementing measures for reclaiming virgin soil and wastelands" makes him the most highly decorated of the top Soviet civilian leaders. It highlights his primacy in the Soviet leadership and implies that the collective is solidly behind him as he pushes his industrial reorganization scheme.

The award came just five days after Khrushchev, addressing a conference of agricultural workers at Voronezh, had said: "Some comrades have formed the wrong view that there is no sense in rewarding party workers, because to do so runs counter to Communist belief. This is wrong. To advance and create an abundance of products, it is necessary to encourage all those who, by their efforts, promote increased production in our socialist state. If you, comrades, consider that the system of awards deserves attention I shall, on my return to Moscow, report your views to the central committee of the party and to the government,

which will, of course, adopt the corresponding decisions."

The Order of Lenin and the Hammer and Sickle medal, which carries the title "Hero of Socialist Labor," are the highest civilian awards of the Soviet state. Since becoming party first secretary in Sep-

**MOST IMPORTANT CIVILIAN AWARDS
OF TOP SOVIET LEADERS**

HAMMER AND SICKLE MEDAL



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ORDER OF LENIN



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— 2	KRUSHCHEV	5	
	VOROSHILOV	6	
— 1	KAGANOVICH	5	
— 1	MOLOTOV	5	
— 1	MALENKOV	3	
— 1	MIKOYAN	3	
	SABUROV	3	
	BULGANIN	2	
	KIRICHENKO	1	
	PERVUKHIN	1	
	SUSLOV	1	
— 1	STALIN	3	

tember 1953, Khrushchev has received two Order of Lenin awards--in addition to the three he had received earlier--and two Hammer and Sickle medals. Stalin received only three Order of Lenin awards and one Hammer and Sickle medal, but was also awarded the wartime Victory Medal and the military award, the Gold Star Medal of the "Hero of the Soviet Union."

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HUNGARIAN REGIME TIGHTENS CONTROLS

While Premier Kadar was in the Soviet Union two weeks ago promising to exterminate all enemies of the Hungarian regime, his colleagues in Budapest were issuing far-reaching decrees designed to accomplish this aim.

These included an extension of the ban on public meetings, a requirement that all personal identity documents be revalidated within six months, and a proclamation of complete state control over religious education

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and Catholic clerical appointments.

Persons failing to revalidate their identity documents will be subject to arrest. Re-registration will permit determination of the number of escapees and army deserters, and will presumably provide data necessary for any systematic deportations. It may also be aimed at refugees whom the regime has accused of re-entering Hungary as "espionage agents."

The deportation decree permits banishment on short notice of any persons considered dangerous to the state and places such persons under police surveillance for as long as two years. The decree presumably is intended to help the regime dispose of enemies against whom formal charges are difficult to find, and will probably be used as a general weapon of intimidation.

In its campaign against the church, the regime has reimposed controls over school

classes in religion, and now requires government approval of all ecclesiastical appointments, transfers and suspensions retroactive to 1 October 1956. The latter requirement will permit the ouster of clerics who replaced the regime-approved "peace priests" during the revolution, and it could lead to invalidation of the Pope's appointment of the vicar general at Esztergom in October.

The government reportedly has already arrested three prominent Catholic clergymen, including the outspokenly anti-Communist bishop of Vac and one of Cardinal Mindszenty's former secretaries, and it has allegedly replaced with government "commissioners" all Catholic bishops who had contact with Mindszenty during his brief period of freedom. A showdown between church and state may come soon if the regime carries out its alleged threat to imprison the head of the bench of Catholic bishops, who has thus far refused to compromise with the regime.

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USSR AND JAPAN CONCLUDE FISHERY TALKS

The USSR and Japan signed a fishery agreement on 6 April after Soviet ambassador Tevosyan had informed Prime Minister Kishi that the USSR was prepared to withdraw two conditions which had deadlocked the negotiations.

Moscow's decision was probably motivated by its desire to improve prospects for a formal trade agreement with Japan, and also probably by

a desire to avoid friction so soon after normalization of relations. It continues to put out trade feelers for Japanese heavy machinery, including COCOM-embargoed goods, and is likely now to resume its overtures for reciprocal trade agreements and the establishment of air and sea routes.

Moscow's tactics since the fishery negotiations began on 14 February indicate that preservation of fish resources

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for the rapidly expanding Soviet Far Eastern fishing industry is a major Soviet concern. The Russians had insisted on describing the agreed 120,000-metric-ton catch limit as "exceptional" in order to allow them to revert next year to their desired quota of from 80,000 to 100,000 tons.

In the final agreement, however, they referred to the 1957 quota as being one "particularly for this year." Moscow also agreed that the 1957 catch in the Sea of Okhotsk should be 13,000 tons--only 3,000 tons less than the Japanese catch permitted by the USSR in the area last year.

Soviet negotiations reserved coastal fishing areas for exclusive Russian use by attaining Japanese consent not

to fish within 20 nautical miles of the Kuril Islands south of the 48th parallel, and within 40 nautical miles of other Soviet territories. This restriction would conserve important coastal salmon stocks for Soviet fishermen. The agreement is regarded by Japanese fishery interests as at least a temporary diplomatic victory since it will increase their allowable catch by 6,000 tons over 1956.

Although reference to future closure of the Sea of Okhotsk to Japanese fleets was omitted from the agreement as a "concession," Soviet officials have informed Japan that the sea will be permanently closed by 1959 at the latest and have specifically reserved the right to discuss the question in next year's negotiations.

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NEW EMPHASIS ON SOVIET STATE FARMS

The major role played by state farms in the new lands area in attaining a bumper grain crop in 1956 has apparently revived interest among Soviet officials in this type of agricultural organization.

Although state farms seem to have been consistently uneconomical to operate, they represent, from the ideological standpoint, "the highest form of organization of Socialist agriculture," because in contrast to the more widely developed collective (co-operative) farms, they are completely state-owned and -operated, with the workers paid wages instead of sharing in the income. The eventual transformation of the collective farms into a unified system of "state" farming has been a long-term goal of Soviet Marxism, but the regime's continuing unwillingness to pay the price--the cost factor

and the possibility of strong peasant opposition--to effect this change has prevented the achievement of the goal.

A long party and government appeal published in the press on 27 March and addressed to all workers in the state farm system emphasized the important role of state farms in increasing agricultural output and attempted to show that state farm grain production, "especially in 1956," was more economical than collective farm production. In contrast to a similar appeal published in January directed to all agricultural personnel, this one was addressed only to state farm workers.

Minister of State Farms Benediktov has been particularly active recently in emphasizing the new importance of his farm organizations. He has

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indicated that the state farm system is to be expanded further around urban areas and also in the new lands area by converting various large "economically weak" collective farms and the machine tractor stations serving them into state farms.

Party boss Khrushchev has also been stressing the importance of state farms. During his meetings last month with agricultural workers in the North Caucasus, he emphasized that many state farms are delivering to the state more grain, sugar beets and cotton per acre than collective farms, in some cases at a lower cost.

Khrushchev also indicated that the merging of collective

farms into larger ones will continue--a move that will bring them closer to state farms in size. In addition, Khrushchev's recommendation for a new incentive wage system for all agricultural workers might bring the pay scales of collective farmers closer to those of state farmers, and further narrow the differences which now exist between the two systems.

Nevertheless, the long-standing deterrents to full-scale conversion of collective farms remain and probably preclude widespread action in the foreseeable future.

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INSTABILITY CONTINUES IN HAITI

A council of 11 ministers representing five competing presidential candidates assumed control of Haiti's government on 6 April, taking over from the military regime of army chief of staff General Leon Cantave, which had ruled since the ouster of provisional president Sylvain on 2 April. Presidential and senatorial elections, originally planned for 28 April, have been postponed to mid-June, and the new president is scheduled to take over from the council on 5 July.

In view of the past record of conflict and mutual mistrust among the presidential candidates, it is unlikely that their representatives on the council will be able to work together harmoniously and effectively. The American embassy in Port-au-Prince believes the council may soon be replaced, possibly by a military junta.

The role of the army, however, traditionally the key to the situation, is in doubt. Chief of Staff Cantave apparently maintained a "hands off" attitude in the selection of a provisional government, possibly because his own status within the army is uncertain. He may have been involved in a bomb plot at the time of Sylvain's resignation, and should this be proved, younger army officers might try to force Cantave's resignation as army chief by instigating another strike.

Haiti's future remains uncertain. Should the present government-by-council continue, the result may be confusion and a virtual impasse in the elections. Should the government fall, the probable immediate solution would be rule by the army, which is itself split by factional disputes.

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CHILEAN RIOTS UNDERCUT ECONOMIC PROGRAM

Prospects for the US-backed anti-inflation program in Chile, relatively successful in its first 15 months, have worsened following the recent serious riots. Despite a probable congressional grant of extraordinary powers, President Ibanez faces considerable difficulties in imposing new sacrifices on the public.

Apparently shocked by the riots in which Communists played an important role and which reportedly resulted in 167 deaths between 29 March and 5 April, the Chilean congress seems likely to grant Ibanez powers for 60 days to restrict personal and press freedom.

Nevertheless, the resentment revealed by the rioting poses serious problems for Chile's anti-inflation program. Basic to the government's problem in carrying out the anti-inflation plan elaborated by the American investment firm of Klein-Saks is a general feeling in Chile that wage earners have borne a disproportionate share of sacrifice. Limitation of wage increases to 75 percent of the cost-of-living increase was imposed on wage earners, who had made only a 2-percent gain in real income

since 1940, although the average increase for all working persons was 27 percent, according to government statistics.

The government has been forced to rescind the transit fare increases, without which the transit system cannot operate profitably. Promulgation of a 113-percent increase in sugar prices--which had been decided before the riots--would now be politically dangerous. Continuance of the sugar subsidy would cost the government some \$25,000,000 this year at a time when its income is already below budget estimates as a result of falling prices for copper, Chile's chief export and principal source of government revenue.

Pre-riot plans to increase the dollar rate of the Chilean peso in order to maximize copper revenues may now be politically risky since the increase would also raise the price of imported consumer goods. The government is seeking an American loan to ease prospective economic strains, but may also be forced to increase taxes on the wealthy, despite the fact that these elements have thus far provided the chief support for its program.

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PART III

PATTERNS AND PERSPECTIVES

STATUS OF THE GOMULKA PROGRAM IN POLAND

Six months after First Secretary Gomulka declared the validity of the "Polish road" at the Polish Communist Party's eighth plenum in October 1956, the Warsaw leadership continues to follow the course of national Communism outlined at that time. Though concessions have been made to Soviet suspicions and to internal factional demands, there has been no important alteration of the basic elements of Gomulka's policy.

His adherence to a "middle way" has brought Gomulka into conflict with both liberal and conservative elements among Polish Communists so that today he is plagued by serious disunity in his party. What he lacks in party support, he has gained in popular backing, though public favor may be ephemeral.

In addition to the pursuance of the "Polish road," Gomulka's October program called for greater freedom of the press, separation of party and state, a more popularly based legislature with increased powers, agricultural reforms, and more realistic pricing and marketing policies.

Soviet-Polish Relations

In the face of polemic attacks from the Soviet and Satellite press, the Poles have continued to hold firm to Gomulka's basic premise of last October that "the roads of achieving this goal (socialism) can be and are different" and that "the model of socialism can also vary." The regime constantly reminds the Polish people of the deleterious effects of blindly imitating Stalinist models.

The following of the "Polish road," Gomulka declared in October, "should be based on mutual confidence and equality of rights." Steps in this direction were taken with the signing of the Soviet-Polish agreements on the status of troops and on the repatriation of Poles in the USSR.

The threat of the Soviet "presence" continues to hang over the Polish nation, although Soviet domination of the Polish armed forces and the security apparatus has been greatly diminished. The USSR continues to maintain approximately 35,000 troops in two divisions in Poland as well as the array of Soviet forces along both Polish borders.

The USSR also has an economic hold on Poland, since the Poles remain dependent on the bloc for both raw materials and equipment. In addition, territorial factors affect the Soviet position vis-a-vis Poland, which, surrounded by Communist territory, has only a single outlet to the West via the Baltic.

Liberalization

Concerning liberalization in the party, Gomulka has said the "party must above all be united and of one mind"; but he has also accepted the "right to maintain one's own views while observing the principle that majority decisions are binding on all party members." Gomulka remains a confirmed Communist, and his moves toward "democratization" have been made entirely within this framework.

In granting some measure of freedom of expression, Gomulka

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encouraged the very forces that have led to disunity, so that today the Polish party is split by deep factional cleavages. Disunited and shaken by internal differences, the party apparatus on the lower levels is only now being brought under control by Gomulka. Some districts evidently still remain beyond his control.

While Gomulka made no provisions for church relations in his plenum speech, broad concessions in return for some support by the Polish episcopate has been from the start a basic facet of his program. Today the Polish church enjoys freedoms unprecedented in a Communist society, a factor which has weighed heavily in winning popular support for Gomulka but which has alienated the more orthodox Communists.

When Gomulka postulated in October the principle of freedom of the press, he demanded that "each criticism should be creative and just, that it should help to overcome the difficulties of the present period instead of increasing them."

His curbing of the liberal journalists has been in keeping with this requirement. The actual problem was a distortion by the journalists of Gomulka's essentially Communist interpretation of press freedom. He was unable to curb "irresponsible" journalism; the party press was for a long time unquestionably in danger of slipping out of his control. By replacing some editors and increasing censorship, Gomulka was able to restore a measure of control.

The Party and the State

Gomulka's policy of establishing "a clear demarcation between the jurisdiction" of

the party and the state has to all appearances remained unchanged. Functional responsibilities of the central committee departments are being curtailed and transferred to appropriate ministries. While the extent to which state and party responsibilities will be separated cannot yet be determined, Gomulka's politburo will unquestionably continue to be the supreme authority.

Parliament and Elections

Gomulka's reforms are most prominent in the parliamentary field, and the new Sejm (parliament) elected on 21 February appears destined to meet the standards for Polish parliamentarianism established in October. Its restoration to the constitutional role of "supreme organ of state authority" must, however, be viewed in the light of the Communist majority of delegates. Nonetheless, some of the reforms promised by Gomulka have gone far to change Polish parliamentary life. The promised increase in the sessions of parliament has already been effected, and the use of committees for all legislative work has given the Sejm an authoritative purpose in contrast to its former rubber-stamp function.

Most important, the "large-scale control over the work of the government" promised by Gomulka appears to have been established with the restoration of the Supreme Chamber of Control to replace the Ministry of State Control and the subordination of this new body to the Sejm. A further innovation is the formation of "party clubs" in the Sejm, a means of ensuring more individual responsiveness to the policies of the various parties.

Gomulka's limited election reform permitting the voters to

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choose between selected National Front candidates was put into practice in January and undoubtedly will set the pattern for the future.

Agricultural Policies

Gomulka's agricultural policies are the most far-reaching of his economic reforms, and the reaction of the Polish peasantry to his invitation to abandon unprofitable collective farms has been so enthusiastic that scarcely 20 percent of the collectives remain and these are generally the least efficient. The restoration of co-operative land to the peasants, coupled with an abandonment or reduction of some compulsory deliveries and greatly increased state payments for farm produce, has reinforced the trenchant individualism of the Polish peasant and permitted the highest degree of autonomy in the Polish countryside since 1948.

To provide a further incentive and manifestation of the freer development of the countryside and the unity of governmental policy, the regime offered the peasant the right to purchase land. Land taxes are to be reduced, favoring larger private farms, and restrictions on ownership, leasing, purchasing, and sale of land are to be removed. The free sale of land could be a major incentive to the raising of output.

The reorganization of the state machine stations so they will be based on "principles of full profitability" and "reserved for bringing assistance to co-operative and individual farmsteads" is in progress and is scheduled to be completed about 1 July. Machines are being made available to private as well as collective

farms, and some small stations have been disbanded, the machinery being sold to individual peasants and co-operative groups.

Gomulka's condemnation of the "policy of so-called restricting of the kulak," which was "ruining kulak farms" rather than preventing exploitation of the poor peasant by the kulak, was a fundamental departure in agricultural policy. Agriculture Minister Ochab stated in a recent speech that "conditions are now favorable to development of wealthier peasants," and the Polish youth daily, Sztandar Mlodych, on 11 February commented that the "mere fact that a rich peasant will become the owner of machinery which he will use to obtain greater crops is nothing to worry about in a country which has thousands of hectares of fallow land and has to import grain from abroad."

Industry

By restoring some of the tenets of free enterprise, Gomulka has permitted deviations in the structure of industry which could lead to even greater deviations from the socialist principles which have strictly guided Polish industry in the past.

Small private concerns--retail and artisan shops, restaurants, hotels--have been encouraged to open and have been given material aid. On 26 January, Trybuna Ludu described a proposal to establish a "state social" shipbuilding company in Szczecin, financed partly by the sale of stock shares abroad. Similarly, the first "government-private" enterprise, a construction firm, was recently formed--the profits to be paid to private and governmental stockholders.

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IMPACT OF EASTERN EUROPEAN EVENTS ON INTERNAL YUGOSLAV POLICY

The Tito regime has shown its sensitivity to the possible internal effects on Yugoslavia of the Polish and Hungarian developments of last fall, primarily by frequent and strong emphasis on plans to elevate living standards and increase popular participation in the governing processes.

Reflecting his concern over the possible impact of Hungarian events on the internal Yugoslav situation, President Tito, in his Pula speech on 11 November, declared that "today more than ever before unity of people and party is necessary." He admitted some popular dissatisfaction and announced that improvement of living standards was to be a "top priority" objective of the regime.

When the National Assembly convened late in November to consider the draft 1957 Social Plan--the Yugoslav term for an annual economic prospectus--the debate proceeded with a freedom of discussion and criticism unique for that body. More than 70 deputies, including many relatively unknown members, took part in the debates, which covered the full range of economic affairs. Although it was Vice President Kardelj's formulations which supplied the basis for the revisions made in the Social Plan, the debates appeared to be at least in part a genuine expression of popular views.

Modifications which resulted included an increase in consumer goods investment at the expense of heavy industry, substantial enlargement of consumer goods imports, restoration of cuts in social insurance payments and of federal subsidies to the republics, and amendments to the pay system eventually calling for wage increases. Proposals, but not

specific plans, were also made to increase the funds available to enterprise workers' councils and to local governmental units. The press gave heavy play to the revisions as being more conducive to higher living standards than the original draft, under which living standards would have shown little change.

In the last two months, however, Belgrade's statements have indicated that the regime is taking a more realistic look at its capabilities for raising living standards in this way. It appears that implementation of some of the economic promises and of further decentralization of authority in the economy will be only partially and slowly fulfilled.

In speaking to the assembly, Kardelj also indicated that the Yugoslav leadership had not overlooked the lesson inherent in the shallowness of the Hungarian Communist Party's popular roots. He definitively restated Yugoslavia's ideological objectives, interpreting the Hungarian revolution as proof of the correctness of Yugoslavia's decentralized workers' council-commune brand of Communism. Condemning the complete subordination of the individual interest to the collective interest, he admitted many shortcomings in the current practices of "workers' self-management" and called for a greater role for the populace in handling the affairs of the communes and workers' councils.

While the Yugoslav press has carried Polish reports that the "Polish road" is more liberal than that followed in Yugoslavia, the Tito regime has done little toward political liberalization. The already politically ostracized ex-vice president, Milovan Djilas, encouraged by events in Poland and Hungary, made the only significant effort publicly to criticize the regime per se,

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and his prompt condemnation and imprisonment were indisputable evidence to the populace that such liberties would not be tolerated in Yugoslavia. There likewise has been no rapprochement with the Catholic Church, nor does such appear at all likely in view of the "separatist" tendencies of the church in Croatia and Slovenia and the progress which church leaders admit the regime is making in its slow, quiet campaign against religious influence.

The regime does, however, seem aware of the need to appear politically moderate. Communist Party and government officials have reportedly adopted a less arrogant attitude toward the people, and the Yugoslav secret police--relatively unobtrusive but extremely effective--have displayed in many areas a less arbitrary attitude. Plans to reconstitute "voluntary" youth brigades have been abandoned, allegedly to release funds for investment in consumer goods industries. Implicit in these manifestations of official concern has been a desire to encourage a more favorable popular disposition toward the authorities and avoid demonstrations of discontent.

The Communist Party itself has become acutely aware of the need to strengthen its membership and correct the apathy that has developed in its lower echelons. Regime leaders are holding small semipublic meetings to expound the line; the party has created a special weekly publication to present its views at local levels; a major conference has been called to analyze and improve the role of the workers' councils; and plans are being drawn up for a party congress in November--the first in five years. This congress will undoubtedly acknowledge the lessons learned, particularly from the Hungarian revolution.

It thus appears that the Tito regime's realization that it must develop more popular support has so far been limited largely to words. But some action to revitalize its "democratized" brand of Communism--development of which has been on dead center for the last few years--will probably materialize. Meanwhile, as a result of the relief felt by the people that the regime is again defying the Kremlin, popular tolerance and even support for Tito is sufficient to allow Belgrade to proceed with such action at a leisurely pace.

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